OCTOBER 21, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES/INSTRUMENTS OF TATA COMMUNICATIONS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Short term Bank Facilities	1510	**CARE A1+ (Single A One Plus)**	Reaffirmed
Total Facilities	**1510** **(Rs. One thousand five hundred and Ten lakhs Only)**		
Non-Convertible Debentures	**210** **(Rs. Two Hundred and Ten crore only)**	**CARE AA+ [Double A Plus]**	**Reaffirmed**
Issuer Rating		**CARE AA+ (Is) [Double A Plus (Issuer Rating)]**	**Reaffirmed**

Rating Rationale

The reaffirmation of ratings assigned to Tata Communications Limited (TCL) reflect continuance of revenue growth and improved operating margin in Data Management Service (DMS) business segment, and dominant position in the Global Voice Segment (GVS) and its established promoter group .

The reaffirmation of the ratings also factor in the stake sale in its data centre business in India and Singapore as well as its continued effort to close the sale of Neotel (Pty) Limited to Liquid Telecom TT, South Africa and factors in cash inflows expected to accrue to the company which are primarily to be utilized for the reduction of its consolidated debt.

Also supporting the rating is TCL's vast global presence in diversified geographical area, its large cable network which has helped company to service its clients proficiently and its strong refinancing capability which has helped TCL to reduce its cost of borrowing.

The rating strengths are however constrained by TCLs limitation to raise equity, continued dependence on a large quantum of debt for its capex program, weak capital structure on account of past losses and moderate debt coverage indicators.

Ability of the company to reduce its debts levels to fund the future capex as envisaged, retain its clientele in GVS segment on profitable terms, timely realization of funds from the sale of Neotel business are the key rating sensitivities.

Background

TATA Communications Limited (TCL) was incorporated on March 19, 1986 as Videsh Sanchar Nigam Limited (VSNL), an entity wholly owned by the Government of India (GoI). GoI, vide its letter dated 27 March 1986, transferred all assets and liabilities of the Overseas Communications Service (OCS, part of the Department of Telecommunications, Ministry of Communications) to VSNL with effect from April 01, 1986. During 2002, Tata Group acquired 50% stake in the company and in the year 2008, the company changed its name from VSNL to TCL. As at March 31, 2016, the Tata Group held 48.87% stake and GoI holds 26.12% stake.
During FY16 (refers to period April 1 to March 31), company posted Rs.5,044.61 crore of total income and Rs.113.20 crore of PAT on standalone basis as compared to Rs.4,750.18 crores and Rs. 674.62 crores respectively for previous year. In Q1 FY16, the company reported a total income of Rs. 1398.82 crores and a PAT of Rs. 204.33 crores.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Analyst Contact
Name: Pawan Matkari
Tel: 022-6754 3529
Email: pawan.matkari@careratings.com

Note:-Shri. Vittaldas Leeladhar, Member of the CARE's Rating Committee is a Non-executive Director in Tata Global Beverages Ltd. (a Tata group company) and to comply with the regulations, the member did not participate in the Rating Process and the Rating Committee Meeting.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

CONTACT

Head Office Mumbai

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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